



ION Insurance Company Inc.

Annual Report & Accounts

2023

Annual Report & Accounts

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ION INSURANCE COMPANY INC.

Report of the Directors for the Year ended 31st December 2023

Chairman's Statement

1. The year 2023 has been transformative for ION Insurance Company, Inc. Our focus on strategic growth, operational efficiency, and resilience in the face of global challenges has yielded remarkable outcomes. Significant strides in underwriting profitability and balance sheet expansion position us for sustained growth in the years ahead.

Business Review and Principal Activities

2. Founded in 2016, ION Insurance Company, Inc. specializes in providing business insurance solutions, including marine, aviation, financial guarantees, and facultative reinsurance. In 2023, we broadened our reach through global partnerships and strengthened our operations with advanced analytics to improve underwriting and claims management.

Key achievements:

- **Asset Growth:** Total assets grew by 47.9% to \$52.2 million, driven by effective capital allocation and operational gains.
- **Net Premium Growth:** Net premium income rose by 45.0% to \$16.8 million, supported by enhanced underwriting and global partnerships.
- **Claim Management Efficiency:** Claims paid were reduced significantly, reflecting improved claims management practices.

3. ION Insurance Company, Inc.'s core business operations maintain a diverse portfolio and have established a robust international presence with operations spanning the U.S., Europe, Asia, and other regions. This diversification minimizes regional exposures and enhances stability.

Financial Highlights

4. Revenue Growth:
 - Total Premium Income: Increased to \$16.83 million (2023) from \$11.6 million (2022), reflecting a 45% growth.
 - Net Premiums Written: Increased to \$25.12 million.
5. Profitability:
 - Net Income: Grew significantly to \$1.61 million from \$13,851 in 2022.
 - Underwriting Income: Positive at \$2.08 million, driven by reduced underwriting expenses and growth in premium revenue.
6. Assets and Equity:
 - Total Assets: Grew 48% to \$52.21 million (2023) from \$35.30 million (2022).
 - Retained Earnings: Increased to \$14.23 million from \$12.62 million, reflecting sustained profitability.

7. Liabilities:
 - Unpaid Losses and Loss Adjustment Expenses: Increased to \$14.85 million, showing proactive provisioning for future claims.
 - Unearned Premiums: Rose to \$15.06 million, aligning with the growth in premium revenue.
8. Liquidity:
 - Cash and Cash Equivalents: Substantially increased to \$4.21 million from \$979,530, strengthening liquidity.
9. Operational Efficiencies:
 - Loss Adjustment Expenses: Controlled effectively, supporting underwriting profitability.

Strategic Developments

10. In 2023, ION Insurance Company, Inc. undertook a series of strategic initiatives to enhance its market presence, operational efficiency, and long-term sustainability.
11. ION Insurance invested heavily in technology to improve risk assessment, underwriting, and claims management processes.
12. ION Insurance made deliberate adjustments to its business portfolio by withdrawing from underperforming business lines in prior years, reducing exposure to high-risk claims. Focused underwriting in profitable segments minimized claims frequency and severity. The risk portfolio was rebalanced to ensure diversification and stability across regions and insurance classes.
13. The company broadened its operational footprint by strengthening its presence in the US and international markets, entering underserved regions with high growth potential and increasing revenue opportunities.

Corporate Governance and Risk Management

14. ION Insurance maintains robust governance frameworks, ensuring compliance with U.S. GAAP and adherence to regulatory requirements. The Board continually reviews internal controls, risk appetite, and solvency metrics to support sustainable growth.

Key governance highlights for 2023:

- Improved reserves for loss adjustment expenses based on actuarial analysis.
- Regular stress tests to ensure capital adequacy and liquidity.

Audited Financial Statements

15. Please refer to the attached financial statements, including the balance sheet, income statement, and cash flow statement for the fiscal year ending December 31, 2023.

Statement of Directors' responsibilities

The Directors bear full responsibility for the preparation, integrity, and the true and fair representation of the financial statements and other pertinent information included in this Report. This responsibility encompasses the formulation of financial statements in compliance with applicable laws and regulatory standards.

The Directors acknowledge their obligation to implement suitable internal controls as they consider necessary. These controls are crucial to the production of financial statements that are devoid of material misstatements, whether resulting from fraud or error.

Annually, the Directors are mandated to prepare financial statements. For the current financial year, the Directors have chosen to compile these statements in conformity with U.S. Generally Accepted Auditing Standards (GAAS). In endorsing these financial statements, the Directors must ascertain that they accurately and fairly reflect the Company's financial position and its profit or loss for the year.

In the preparation of these financial statements, the Directors are required to:

- Adopt appropriate accounting policies and apply them consistently.
- Make judgments and estimates that are reasonable and prudent.
- Assert compliance with applicable Accounting Standards, clearly disclosing and explaining any significant deviations in the financial statements.
- Prepare the financial statements on a going concern basis, except in circumstances where it is infeasible to presume the Company's ongoing operations.

Furthermore, the Directors are charged with maintaining adequate accounting records that sufficiently detail the Company's transactions and at any given time, accurately represent the Company's financial position. They are also tasked with protecting the Company's assets, thereby taking necessary measures for the prevention and detection of fraud and other irregularities.

The Directors confirm that, to the best of their knowledge:

- There is no significant audit information that the Company's Accounting Firm is unaware of.
- All necessary steps have been taken to make themselves aware of any relevant audit information and to ensure that the Accounting Firm is apprised of such information.

This statement is signed on behalf of the directors on 31st December 2023 by:



Richard A. Whitney
President & C.E.O

Financial Statements

Independent Auditors' Report



Carr, Riggs & Ingram, LLC
7550 Halcyon Summit Drive
Montgomery, AL 36117

334.271.6678
334.271.6697 (fax)
CRlcpa.com

To the Board of Directors
ION Insurance Company, Inc.

Qualified Opinion

We have audited the accompanying financial statements of ION Insurance Company, Inc. (the Company), which comprise the balance sheet as of December 31, 2023, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion section of our report, the 2023 financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Qualified Opinion

The Company has elected not to adopt the provisions of the Financial Accounting Standards Board's Accounting Standards Update No. 2015-09 – "Disclosures about Short-Term Duration Contracts" (ASU 2015-09). ASU 2015-09 requires additional disclosure and supplemental information related to unpaid losses and loss adjustment expenses. In our opinion, disclosure of that information is required by U.S. GAAP; however, management believes it is impracticable to develop the information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of Matter

ION Insurance Company, Inc. is affiliated with other entities, all of which are controlled by a common parent with the ability to influence the volume of business performed by each entity. As discussed in Note 8 to the financial statements, ION Insurance Company, Inc. and its affiliates have engaged in significant transactions with each other. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Carr, Rigg & Ingram, L.L.C.

Montgomery, Alabama
November 15, 2024

Balance Sheet

December 31, 2023

Assets	\$
Cash and cash equivalents	4,207,979
Premiums receivable	11,374,561
Notes receivable - related parties	29,294,849
Due from affiliate	2,557,905
Interest receivable - related parties	1,691,976
Deferred tax asset	702,299
Funds withheld	2,126,415
Certificate of deposit - restricted	252,380
Total Assets	52,208,364
Liabilities & Stockholder's Equity	
Liabilities	
Unpaid losses and loss adjustment expenses	14,854,110
Unearned premiums	15,061,259
Income tax payable	465,790
Total liabilities	30,381,159
Stockholder's equity	
Common stock (\$1 par, 7,600,000 shares issued and authorized)	7,600,000
Retained earnings	14,227,205
Total stockholder's equity	21,827,205
Total liabilities and stockholder's equity	52,208,364

The accompanying notes are an integral part of the financial statements.

Statement of Income

For the year ended December 31, 2023

Underwriting Income	\$
Net premiums written	25,122,577
Change in unearned premiums	(8,292,692)
Total premium income	16,829,885
Underwriting Expenses	
Losses and loss adjustment expenses	13,942,064
Commissions	803,524
Total underwriting expenses	14,745,588
Net underwriting income (loss)	2,084,297
Non-underwriting Income (Expenses)	
Interest income	435,354
General and administrative expenses	(805,876)
Total non-underwriting income (expenses)	(370,522)
Net income (loss) before provision (benefit) for income taxes	1,713,775
Provision (benefit) for income taxes	
Current	804,264
Deferred	(702,299)
Net income (loss)	1,611,810

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Stockholder's Equity

	Common Stock (\$)	Retained Earnings (\$)	Total Stockholder's Equity (\$)
Balance, January 1, 2023	7,600,000	12,615,395	20,215,395
Net income (loss)	-	1,611,810	1,611,810
Balance, December 31, 2023	7,600,000	14,227,205	21,827,205

The accompanying notes are an integral part of the financial statements.



Statement of cash Flows

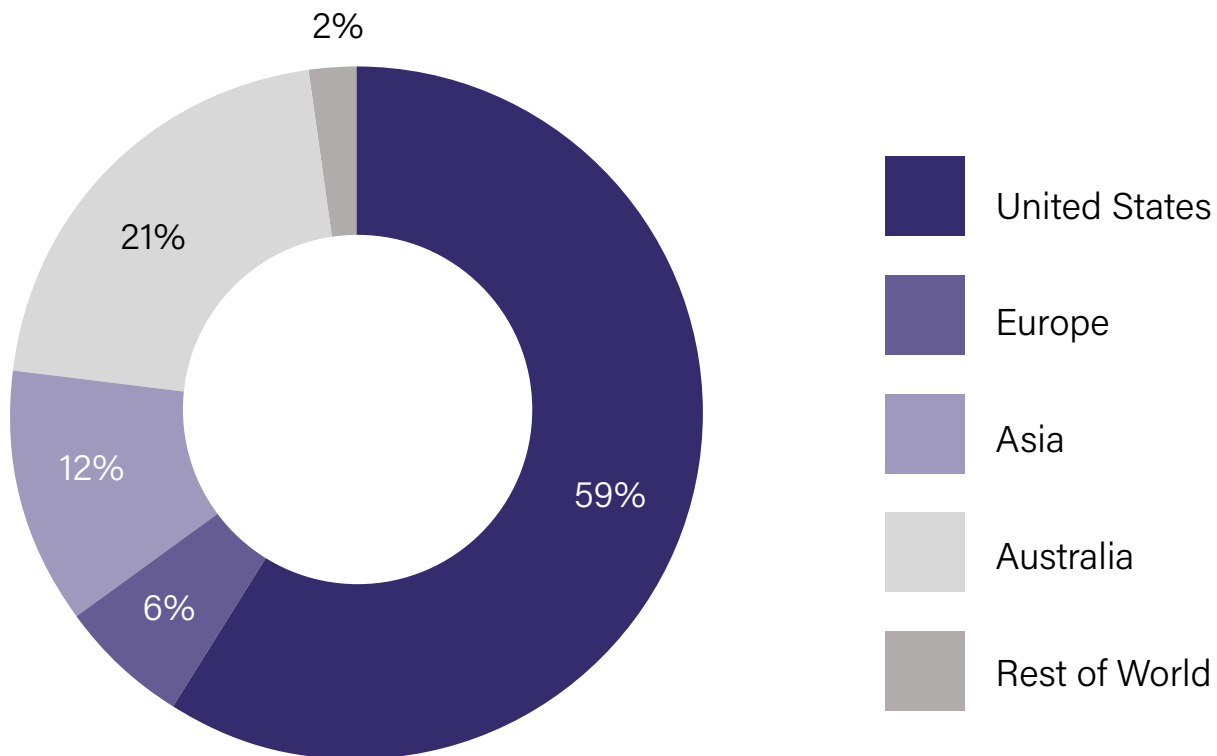
For the year ended December 31, 2023

Operating activities	\$
Net income (loss)	1,611,810
Adjustments to reconcile net income (loss) to net cash and restricted cash provided by operating activities:	
Deferred income taxes	702,299
Changes in operating assets and liabilities:	
Premiums receivable	(5,175,830)
Due from affiliate	(2,557,905)
Interest receivable - related parties	(376,388)
Prepaid income tax	338,474
Funds withheld	(2,126,415)
Unpaid losses and loss adjustment expenses	7,396,225
Unearned premiums	8,292,692
Due to affiliate	(860,495)
Income tax payable	465,790
Net cash provided by (used in) operating activities	6,305,659
Investing activities	
Purchase of certificate of deposit - restricted	(199,667)
Notes receivable issued – related parties	(2,877,543)
Net cash provided by (used in) investing activities	(3,077,210)
Net increase (decrease) in cash and cash equivalents	3,228,449
Cash and cash equivalents, beginning of year	979,530
Cash and cash equivalents, end of year	4,207,979
Non-cash investing and financing activities	
Satisfaction of due from stockholder through assignment of note receivable	7,872,459

The accompanying notes are an integral part of the financial statements.

Financial Charts

Territorial Split of business

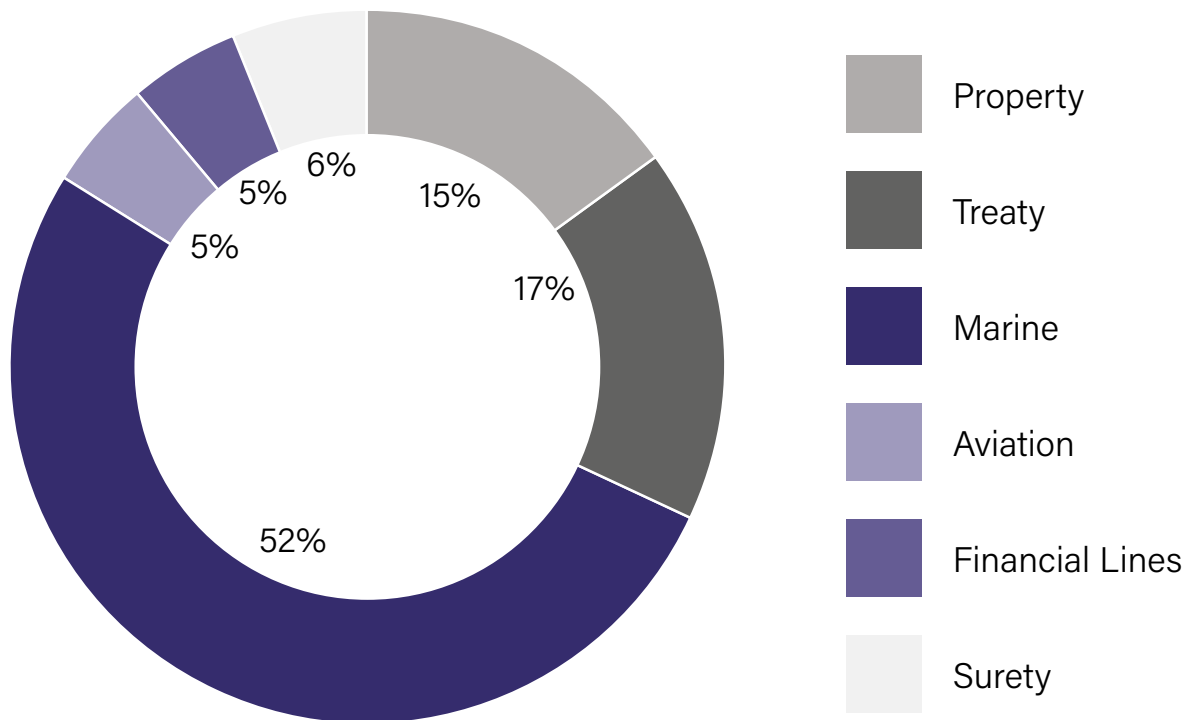


Global Partnerships

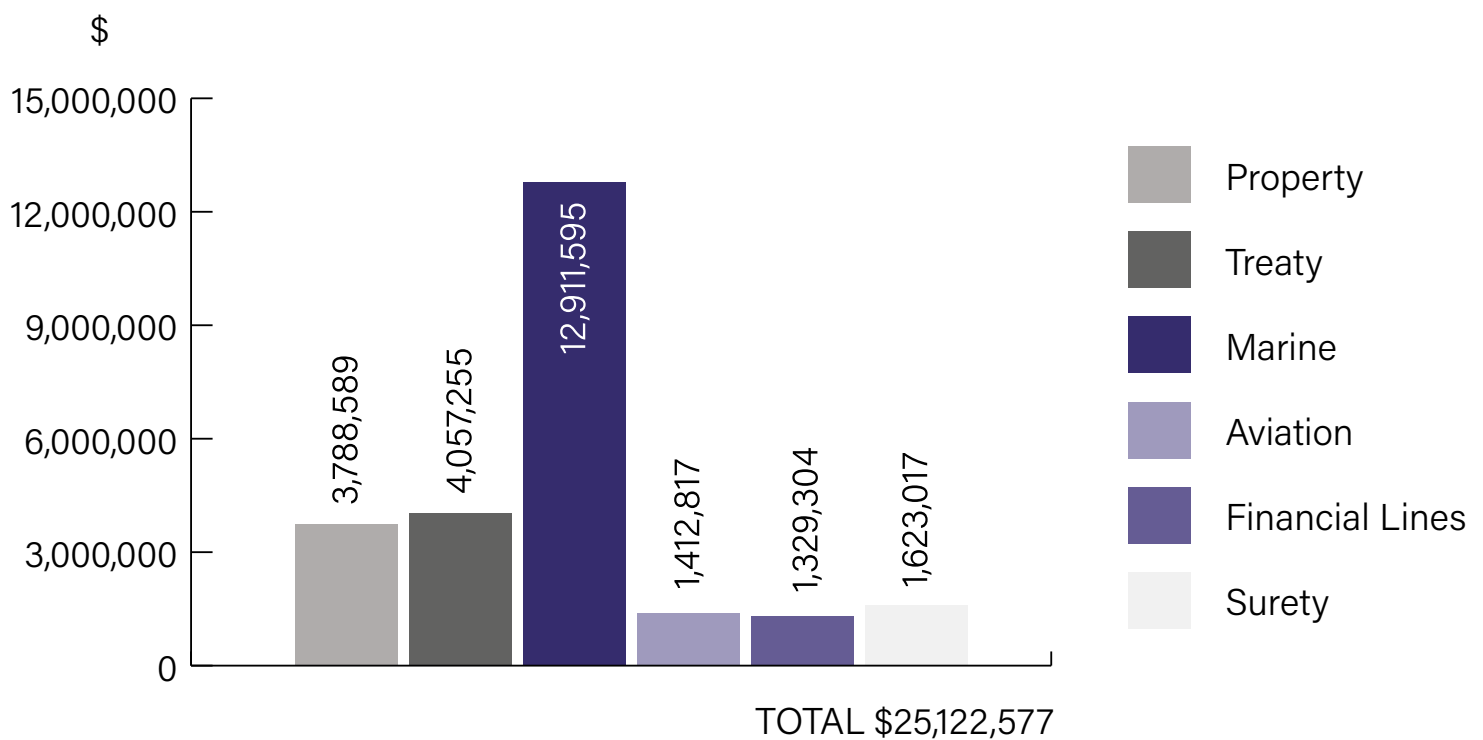


Financial Charts

Classes of business written



GWP



Notes to Financial Statements

Note 1: Description of Business

ION Insurance Company, Inc. (the Company) primarily provides business insurance of all kinds concentrating in marine hull, aviation, financial guarantees, facultative reinsurance and reinsurance treaty business.

The Company was formed on February 2, 2016 in the American Samoa and granted certificate of authority by the Insurance Commissioner. The Company is registered with the American Samoa Insurance Commissioner and the National Association of Insurance Commissioners.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), except for certain required disclosures that have been omitted as more fully described in Note 2. The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to change in the near term relate to the determination of allowance for credit losses on premiums receivable, the estimate of unearned premiums and the development of reserves for unpaid losses and loss adjustment expenses. Management believes that the liabilities established for unpaid losses and loss adjustment expenses as of December 31, 2023 are adequate to cover the ultimate net cost of claims and contractual adjustments, but the liabilities are necessarily based on estimates and accordingly, the amounts ultimately paid may vary materially.

Certificates of Deposit - Restricted

Certificates of deposit are presented at cost, plus any accrued interest at year end which approximates fair value. The certificate of deposit is restricted for the benefit of the American Samoa Insurance Commissioner.

Notes Receivable – Related Parties

Notes receivable are stated at the outstanding principal amount, net of an allowance for credit losses. Outstanding loans accrue interest based on the terms of the respective loan agreements. Loans are considered delinquent when the debtor has missed three or more payments based on the contractual terms of the agreement. At that time, the loan is placed on nonaccrual status and interest accrual ceases and does not resume until the loan is no longer classified as delinquent. Delinquent loans are charged off based on individual credit evaluation and specific circumstances of the borrower. All interest accrued but not collected for loans that are placed in non-accrual status or charged off reversed through interest income unless management believes the accrued interest is recoverable through the liquidation of collateral.

Interest received on non-accrual loans is either applied against principal or reported as interest income, based on management's assessment regarding the recovery of principal. When material, the net amount of nonrefundable loan origination

fees and direct costs associated with the lending process is deferred and accreted to interest income over the life of the loans using a method that approximates the interest method.

As of December 31, 2023, the Company had no collateral dependent loans, non-accrual loans, or impaired loans.

Credit Losses

The Company estimates expected lifetime credit losses on financial assets measured at amortized cost including short-term receivables, premiums receivable, loans receivable and reinsurance recoverables. Credit loss changes on premiums receivable are recorded in net earned premiums.

Management estimates the allowance for credit losses by using relevant available information from internal and external sources, relating to past events, current conditions, and supported forecasts. Historical credit loss experience provides the basis for estimation of expected credit losses. Adjustments to historical loss information are made for differences in loan-specific risk characteristics such as changes in the economic and business conditions, portfolio mix, and delinquency level. Considerations related to environmental conditions include current and forecasted data related to factors such as inflation, unemployment levels, and interest rates.

The allowance for credit losses is measured on an individual loan basis using the loss-rate methodology. If management determines that an individually evaluated loan is probable of foreclosure or when the borrower is experiencing financial difficulty as of the reporting date and repayment is expected to be provided substantially through the operation or sale of collateral, expected credit losses are based on the fair value of the collateral adjusted for estimated selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loan. The contractual term excludes expected extensions, renewals, and modifications unless the renewal option is included in the original or modified contract at the reporting date and is not unconditionally cancellable by the Company, or that management has a reasonable expectation at the reporting date that a loan

modification will be made to a borrower experiencing financial difficulty.

Allowance for Credit Losses on Receivables

For receivables, the Company utilizes aging analyses to estimate allowances under current conditions and for the forecast period. The Company regularly evaluates and updates the data and adjusts the allowance as appropriate.

Allowance for Credit Losses on Reinsurance Recoverables

For reinsurance recoverables, the Company assesses the credit risks for individual reinsurers. The evaluation considers the credit quality of the reinsurer and the period over which the expected recoverable balances are expected to be collected. The evaluation considers factors including past events, current conditions and reasonable and supportable forecasts in the development of the estimated of the credit loss allowance.

Cash and Cash Equivalents

Cash and cash equivalents include cash and other highly-liquid investments with an original maturity of 90 days or less.

Insurance Liabilities

The liability for unpaid losses and loss adjustment expenses includes an amount determined from loss reports and individual cases and an amount, based on past experience, for losses incurred but not reported. Such liabilities are based on estimates and, while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in earnings currently.

However, because of the limited population of insured risks, limited historical data, economic conditions, judicial decisions, legislation and other reasons, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the balance

sheet date. Accordingly, the ultimate liability could vary significantly from the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations. The Company does not discount loss reserves for financial statement purposes.

In establishing reserves, management considers facts currently known, historical claims information, industry average loss data, and the present state of laws and coverage litigation. However, the process of establishing loss reserves is complex and imprecise science that reflects significant judgmental factors. Management believes that the aggregate loss reserves at December 31, 2023 are adequate to cover claims for losses that have occurred.

The Company has elected not to adopt the provisions of the Financial Accounting Standards Board's Accounting Standards Update No. 2015-09 – "Disclosures about Short-Term Duration Contracts" (ASU 2015-09). ASU 2015-09 requires additional disclosure and supplemental information related to unpaid losses and loss adjustment expenses. This differs from U.S. GAAP.

Reinsurance

In the normal course of business, the Company seeks to reduce its loss exposure by reinsuring certain levels of risk with reinsurers. Reinsurance is accounted for in accordance with FASB ASC 944, "Financial Services – Insurance" using the Periodic Method. Ceded premium is expensed over the period that coverage is provided. Prepaid reinsurance premiums are calculated on a daily pro-rata basis for the unexpired terms of the policy in force. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsurance policy. As these estimates change, the adjustment is recorded in the current period.

As of December 31, 2023, the Company had funds withheld deposited with reinsurers totaling \$2,126,415 as detailed in Note 5.

Premiums

Consideration paid for an insurance policy is generally known as a premium. Premiums billed

to and paid by the Company's policyholders are recorded as revenues in the statements of income. Premiums are earned as revenue on a pro rata basis over the applicable policy term. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums when applicable.

The Company considers premiums receivable to be fully collectible; accordingly, no allowance for credit losses has been established. The direct write-off method yields substantially the same results as the allowance method. If amounts become uncollectible, they will be charged to operations when the determination is made. No allowance has been provided at December 31, 2023 and management believes all premiums receivable are fully collectible.

The Company recognizes premium deficiencies when there is a probable loss on a policy issued. Premium deficiencies are recognized if the sum of expected losses and loss adjustment expenses, dividends to policyholders, policy acquisition costs and other underwriting expenses exceed anticipated premiums assumed and investment income. There were no premium deficiencies recognized as of December 31, 2023.

Deferred Acquisition Costs

The costs which relate directly to the successful acquisition of new or renewal policies, are generally deferred to the extent recoverable from future premiums or expected gross profits. Deferred acquisition costs (DAC) are subject to loss recognition and recoverability testing at least annually.

DAC is amortized with interest over the premium paying period in proportion of annual premium revenues to ultimate premium revenues. The ultimate premium revenues are estimated based upon the same assumptions used to calculate the future policy benefits. Therefore, there was no material DAC as of December 31, 2023.

Concentration of Credit Risk

The Company maintains cash deposits with financial institutions, which may fluctuate from time to time in excess of the insured limitation of

the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC).

If the financial institutions were not to honor their contractual liability, the Company could incur losses. Based on the history and strength of the financial institutions, management does not anticipate any such losses.

Income Taxes

Income tax provisions are based on the asset and liability method. Deferred federal income taxes have been provided for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Such differences are related principally to unearned premiums, present value discount of losses and loss adjustment expenses, and allowance for doubtful accounts.

The Company has not recognized any respective liability for unrecognized tax benefits as it has no known tax positions that would subject the Company to any material income tax exposure. A reconciliation of the beginning and ending amount of unrecognized tax benefits is not included, nor is there any interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses as there are no unrecognized tax benefits. The tax years that remain subject to examination are the years ended December 31, 2020 through 2023 for all major tax jurisdictions.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 15, 2024, and determined there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Stockholder's Equity

The Company is organized pursuant to the laws and regulations of The American Samoa. Accordingly, the Company is required to maintain minimum stockholder's equity of \$500,000.

As of December 31, 2023, the Company had stockholder's equity of \$21,827,205 and was in compliance with the laws and regulations of American Samoa.

In accordance with the statutes of the American Samoa, the Company is required to maintain certain reserves including:

1. Loss or claims reserves in an amount estimated in the aggregate to provide for the payment of all losses or claims insured, whether reported or unreported, which are unpaid and for which such insurer may be liable, together with an amount estimated to provide for the expense of adjustment or settlement of such claims.
2. Premium reserves equal to the unearned portions of the gross premiums charged on unexpired or undetermined risks and policies.

As of December 31, 2023 the Company had met the requirements of the American Samoa based on review of independent actuarial analysis for reserves and its recorded unearned premium reserves.

Recent Accounting Pronouncements

On January 1, 2023, the Company adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with an expected loss methodology referred to as the current expected credit loss (CECL) methodology.

The measurement of expected credit losses under CECL methodology is applicable to financial assets measured at amortized costs, including premiums receivable, loans receivable, reinsurance recoverables, funds withheld, and held-to-maturity securities. Additionally, ASC 326 made changes to the accounting for available-for-sale securities. The Company implemented ASC 326 effective January 1, 2023 with the impact of providing enhanced disclosures only.

Note 3: Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

December 31, 2023	\$
Cash and cash equivalents	1,151,547
Money market accounts	3,056,432
Cash and cash equivalents	4,207,979



Note 4: Concentrations

For the year ended December 31, 2023, premiums from five brokers represented approximately 79 percent of total direct and assumed premiums written during the year. At December 31, 2023 the Company had premiums receivable of \$7,326,868 due from these brokers.

Note 5: Reinsurance Activity

During the year ended December 31, 2023, the Company entered into reinsurance agreements with quota share percentages ranging from 0.13% to 100%. The Company accepted receipt of the reinsurance premiums as consideration for the transfer, assignment and assumption of the risks. Assumed premiums are accounted for on a basis consistent with that used in accounting for the original policies. The Company, as the assuming reinsurer, is liable to the ceding company to the extent of reinsurance.

To secure its obligations arising from the coverage provided under the overlying insurance policies issued by Edward Williams Insurance Services, LLC and Trafalgar Insurance Company Limited, the Company provides collateral in the form of cash. The joint trust account with Edward Williams Insurance Services, LLC held cash in the amount of

\$94,998 at December 31, 2023. The joint trust account with Trafalgar Insurance Company Limited held cash in the amount of \$2,031,417 at December 31, 2023.

The Company cedes insurance to other companies and these reinsurance contracts do not relieve the Company from its obligations to its members. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible.

The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

At December 31, 2023, there was no reinsurance insurance receivable or reinsurance recoverable.

The Company limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring (ceding) certain levels of risks with other insurers. Ceded insurance is treated as the risk and liability of the assuming entities.

The effect of reinsurance on premiums written and earned for December 31, 2023 are as follows:

Year ended December 31, 2023	\$	
	Written	Earned
Direct	14,562,305	5,361,440
Assumed		
Non-affiliates	12,385,143	12,670,526
Ceded		
Non-affiliates	(173,065)	(614,258)
Affiliates	(1,651,806)	(587,823)
Net	25,122,577	16,829,8859

Note 6: Liability for Unpaid Losses and Loss Adjustment expenses

The liability for unpaid losses and loss adjustment expenses includes an amount determined by an independent actuarial firm for losses incurred but not reported and loss adjustment expenses. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in earnings currently. While management believes that the amounts are adequate, assumptions and projections as to future events are necessary and the ultimate liabilities may be in excess of or less than the amounts provided.

Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

December 31, 2023	\$
Balance, beginning of year	9,427,013
Incurred related to:	
Current year	7,624,068
Prior years	6,317,996
Total incurred	13,942,064
Paid related to:	
Current year	145,927
Prior years	8,369,040
Total paid	8,514,967
Balance, end of year	14,854,110

Unpaid losses and loss adjustment expenses of \$14,854,110 as of December 31, 2023, represents estimates of the amounts required to pay existing unpaid losses against the Company including case development of \$11,854,110, incurred but not reported (IBNR) losses of \$3,000,000 as of December 31, 2023. There were no reported losses payable as of December 31, 2023.

As a result of changes in estimates incurred in prior years, the Company incurred claims expense of \$6,317,996 for the year ended December 31, 2023. The increase was a result of the normal development inherent in the uncertainty of establishing the liability for unpaid losses and loss adjustment expenses.

Note 7: Income Taxes

The Company is a taxable entity under Internal Revenue Code (IRC) Section 831. The combined U.S. federal statutory income tax rate applicable to the Company was 21% for the year ended December 31, 2023.

The deferred tax asset for the year ended December 31, 2023 was \$702,299. The deferred tax asset is based on temporary timing differences for unearned premiums and discounting unpaid losses.

The components of the deferred tax asset consists of the following:

December 31, 2023	\$
Unearned premiums	632,573
Discounting on unpaid losses	69,726
Total net deferred tax asset	702,299

The following provides a reconciliation of financial statement income to taxable income:

Period ended December 31, 2023	\$
Financial statement net income (loss)	1,611,810
Federal provision for income taxes	804,264
Deferred provision for income taxes	(702,299)
Unearned premiums	1,658,538
Discount on unpaid losses	332,028
Penalties	3,820
Taxable income	3,708,161:

Income tax expense differs from amounts computed by applying the federal statutory rate of 21% to income before income tax expense as follows:

Year ending December 31, 2023	\$
Tax based on federal statutory rate	359,893
Unearned premiums	(284,280)
Under accrual of prior year income tax	25,550
Penalties	802
Income tax expense	101,965

Note 8: Related Party Transactions

Due from (to) Affiliate

From time to time, payments for premiums have been received and claims payments have been made on behalf of the Company's affiliate, ION Insurance Group, S.A. (Group) for claims related to the affiliated party. When this occurs, it results in a balance due (to) from affiliate for the Company.

The amount due from (to) affiliate related to the premiums and claims transactions during the year was \$2,557,905 as of December 31, 2023.

Notes Receivable – Related Parties

Notes receivable – related parties consist of collateralized promissory notes executed by RA Whitney Trusts, the 100% shareholder of ION Insurance Company, Inc. and part owner of the borrowing entities listed in the table below, for the benefit of the Company. The promissory notes are collateralized by real property, furnishings, fixtures, and equipment detailed in original loans from RA Whitney Trusts to the borrowing entities. As of December 31, 2023, the underlying promissory notes had balances of \$1,944,847, \$7,500,000, and \$19,850,002. The promissory notes accrue interest at an annual rate of 1.35% and have due dates of January 2, 2026, January 2, 2026, and November 1, 2026, respectively.

As of December 31, 2023 the total related party notes receivable amounted to 29,294,849. Interest accrued on the promissory notes amounted to \$1,691,976.

The following provides a summary of notes receivable from related parties as of December 31, 2023:

As of December 31, 2023			
	Maturity Date	Principal	Interest
Biloxi Lodging	November 1, 2026	\$ 19,850,002	\$ 1,146,472
Centennial Plaza	January 2, 2026	7,500,000	433,176
Windsor House, LLC	January 2, 2026	1,944,847	112,328
Total		\$ 29,294,849	\$ 1,691,976



Ceded Premiums Payable

The Company ceded insurance to the Group and ION Surety Company, S.A. in the amounts of \$1,509,812 and \$141,994, respectively. Both the Group and ION Surety Company, S.A are wholly owned by Richard Whitney, the executor of RA Whitney Trusts, and are entities under common control.

As of December 31, 2023, the Company owed \$215,017 to companies under common control.

A summary of transactions with related parties impact on operations for the year ended December 31, 2023 follows:

Year ended December 31, 2023	\$
Revenues	
Interest income	378,646
Expenses	
Premiums ceded to ION Insurance Group, S.A.	(538,220)
Premiums ceded to ION Surety Company, S.A.	(49,604)
Total related party expenses	(209,177)

